

**DISABILITY LAW CENTER**

**FINANCIAL STATEMENTS**

**(With Supplementary Information  
and Compliance Reports)**

**September 30, 2006**

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# WISAN, SMITH, RACKER & PRESCOTT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

**Board of Directors  
Disability Law Center  
Salt Lake City, Utah**

We have audited the accompanying statement of financial position of the Disability Law Center (a nonprofit organization) as of September 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Disability Law Center as of September 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2007 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Disability Law Center taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Wisan, Smith, Racker & Prescott, LLP*

Salt Lake City, Utah  
January 17, 2007

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**DISABILITY LAW CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2006**  
**With comparative totals for 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 279,772	\$ 202,629
Receivables:		
Accounts receivable	134,408	115,899
Sales tax receivable	<u>653</u>	<u>696</u>
	135,061	116,595
Prepaid expenses	14,423	9,149
Deposits	<u>3,536</u>	<u>3,536</u>
TOTAL CURRENT ASSETS	432,792	331,909
<b>EQUIPMENT</b>	<u>17,593</u>	<u>4,101</u>
TOTAL ASSETS	<u>\$ 450,385</u>	<u>\$ 336,010</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,400	\$ 7,650
Accrued expenses	<u>102,868</u>	<u>85,987</u>
TOTAL CURRENT LIABILITIES	108,268	93,637
<b>NET ASSETS</b>		
Unrestricted	213,003	138,982
Temporarily restricted	<u>129,114</u>	<u>103,391</u>
TOTAL NET ASSETS	<u>342,117</u>	<u>242,373</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 450,385</u>	<u>\$ 336,010</u>

*The accompanying notes are an integral part of the financial statements.*

**DISABILITY LAW CENTER  
STATEMENT OF ACTIVITIES  
Year ended September 30, 2006  
With comparative totals for 2005**

	September 30, 2006			2005
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUES AND SUPPORT</b>				
Federal Awards				
US Dept. of Health & Human Services	\$ 727,667	\$ 56,439	\$ 784,106	\$ 867,806
US Dept. of Education	251,588	56,440	308,028	320,022
Social Security Administration	135,976	-	135,976	121,280
"And Justice for All" Campaign	109,480	-	109,480	86,710
Other government grants	53,839	61,875	115,714	47,750
Litigation revenue	112,879	-	112,879	300
Interest income	5,136	-	5,136	1,618
Donations	54,120	26,987	81,107	37,822
Net assets released from restrictions	176,018	(176,018)	-	-
TOTAL REVENUES AND SUPPORT	1,626,703	25,723	1,652,426	1,483,308
<b>EXPENSES</b>				
Program services	1,302,456	-	1,302,456	1,241,832
Management and general	242,747	-	242,747	196,738
Fundraising activities	7,479	-	7,479	4,670
TOTAL EXPENSE	1,552,682	-	1,552,682	1,443,240
CHANGE IN NET ASSETS	74,021	25,723	99,744	40,068
Balance - beginning of year	138,982	103,391	242,373	202,305
Balance - end of year	\$ 213,003	\$ 129,114	\$ 342,117	\$ 242,373

*The accompanying notes are an integral part of the financial statements.*

**DISABILITY LAW CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended September 30, 2006**  
**With comparative totals for 2005**

	September 30, 2006				2005
	Program Services	Management and General	Fund Raising	Total	Total
Salaries and wages	\$ 854,540	\$ 171,656	\$ 5,840	\$ 1,032,036	\$ 948,957
Payroll taxes and employee benefits	205,509	41,282	1,404	248,195	216,531
SUB-TOTAL	1,060,049	212,938	7,244	1,280,231	1,165,488
Board-related expenses	4,606	602	-	5,208	7,030
Client litigation expenses	14,657	-	-	14,657	13,419
Conferences	5,537	726	14	6,277	9,396
Consulting	836	109	-	945	883
Contract services	17,399	2,275	-	19,674	30,086
Dues and fees	11,480	1,501	-	12,981	12,613
Insurance	5,512	722	14	6,248	6,770
Library and subscriptions	3,186	416	-	3,602	3,897
Miscellaneous	3,129	409	-	3,538	2,360
Newsletter and outside printing	17,201	2,255	43	19,499	20,910
Office supplies and postage	30,906	4,051	77	35,034	27,121
Recruitment	1,282	168	-	1,450	1,761
Rent	53,338	6,974	-	60,312	60,210
Repairs and maintenance	7,170	938	-	8,108	7,634
Small equipment and computer	19,245	2,522	48	21,815	15,060
Telecommunications	11,669	1,530	29	13,228	13,737
Travel	31,203	4,080	-	35,283	42,063
TOTAL BEFORE DEPRECIATION	1,298,405	242,216	7,469	1,548,090	1,440,438
Depreciation	4,051	531	10	4,592	2,802
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,302,456</u>	<u>\$ 242,747</u>	<u>\$ 7,479</u>	<u>\$ 1,552,682</u>	<u>\$ 1,443,240</u>

*The accompanying notes are an integral part of the financial statements.*

**DISABILITY LAW CENTER**  
**STATEMENTS OF CASH FLOWS**  
**Year ended September 30, 2006**  
**With comparative totals for 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 99,744	\$ 40,068
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	4,592	2,802
In-kind donations	(9,000)	-
(Increase) decrease in assets:		
Accounts receivable	(18,509)	(26,353)
Inventory	-	4,141
Prepaid expenses	(5,274)	-
Sales tax receivable	43	(120)
Increase (decrease) in liabilities:		
Accounts payable	(2,250)	1,258
Accrued expenses	16,881	19,451
Net cash flows from operating activities	<u>86,227</u>	<u>41,247</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchases of equipment	<u>(9,084)</u>	<u>(1,098)</u>
Net cash used by investing activities	<u>(9,084)</u>	<u>(1,098)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	77,143	40,149
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>202,629</u>	<u>162,480</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 279,772</u>	<u>\$ 202,629</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
In-kind donations - equipment	\$ 9,000	\$ -

*The accompanying notes are an integral part of the financial statements.*

**DISABILITY LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The Organization's accounting policies conform to U.S. generally accepted accounting principles. The following policies are considered to be significant:

*Nature of Activities*

Disability Law Center, a nonprofit organization, (the Organization), formerly Legal Center for People with Disabilities, was incorporated under the laws of the State of Utah on April 16, 1975 as a nonprofit corporation. The Organization has offices in Salt Lake City, American Fork and Cedar City. The Organization is part of a nationwide network of protection and advocacy systems (P & A's) which are mandated by Congress to provide legal representation and advocacy services on behalf of all persons with disabilities. Funding for these services is provided under grants from the Department of Health and Human Services, the Department of Education, the Social Security Administration, private foundations, and donations.

*Revenue Recognition*

The Organization is required to report contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Contributed Services*

Contributions of donated cash, assets and services are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Organization received \$9,000 of donated assets in the year ended September 30, 2006.

*Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**DISABILITY LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash equivalents are generally comprised of certain highly liquid investments with original maturities of less than three months.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. An allowance for doubtful accounts has not been established because management believes that all receivables are fully collectible.

**Equipment**

The Organization capitalizes additions to equipment over \$1,000. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donations of equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Equipment is depreciated using the straight-line method.

**Concentrations of Credit Risk**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of temporary cash investments and federal grant revenues.

The Organization maintains its cash balances at a financial institution. At times such balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

The Organization receives a significant amount of its funding from government sources. Decreases in this government support would have an adverse effect upon the Organization.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**DISABILITY LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Government Funding*

Funding from all government sources is considered to be unrestricted as long as it is expended under contract guidelines and is expended in the year for which it is contracted.

*Income Taxes*

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the IRS has determined that the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended September 30, 2006.

*Advertising and Promotion*

All costs associated with advertising and promoting the Organization's goods and services are expensed in the year incurred. As of September 30, 2006, the Organization did not incur any advertising or promotion costs.

**NOTE 2 - OPERATING LEASES**

On November 1, 2002, the Organization entered into a five-year lease for its office space. The monthly lease payments are \$4,256.

The yearly rental expense obligations under the lease are as follows:

2007	\$	51,072
2008		<u>4,256</u>
	\$	<u>55,328</u>

Rent expense for the year ended September 30, 2006 was \$60,312.

**DISABILITY LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 3 - EQUIPMENT**

Equipment as of September 30, 2006 is detailed as follows:

Cost:

Computer equipment	\$ 28,519
Less accumulated depreciation	<u>(10,926)</u>

Net book value	<u>\$ 17,593</u>
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**NOTE 4 - RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at September 30, 2006:

IOLTA/Eccles	\$ 35,672
PADD Litigation	64,340
PAIR Litigation	26,283
Other	<u>2,819</u>
	<u>\$ 129,114</u>

**NOTE 5 - BENEFIT PLAN**

The Organization maintains a defined-contribution 401(k) plan. Under the 401(k) plan, employees are eligible for participation after three months of continuous employment as long as they work at least 1,000 hours during the year. The Board of Trustees determines the percentage of the Organization's contribution on an annual basis. For the year ended September 30, 2006, the Organization contributed \$47,808.

**NOTE 6 - PRIOR YEAR TOTALS**

Totals for the year ended September 30, 2005 are presented for comparative purposes only. Please refer to the September 30, 2005 audited financial statements for information and notes to the financial statements for that year.

**SUPPLEMENTARY INFORMATION  
AND COMPLIANCE REPORTS**

# WISAN, SMITH, RACKER & PRESCOTT, LLP

C E R T I F I E D . P U B L I C A C C O U N T A N T S

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees  
Disability Law Center

We have audited the financial statements of Disability Law Center (a nonprofit organization), as of and for the year ended September 30, 2006, and have issued our report thereon dated January 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered Disability Law Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Disability Law Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wisan Smith Racker & Prescott, LLP*

Salt Lake City, Utah  
January 17, 2007

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**WISAN, SMITH, RACKER & PRESCOTT, LLP**  
C E R T I F I E D   P U B L I C   A C C O U N T A N T S

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

The Board of Trustees  
Disability Law Center

***Compliance***

We have audited the compliance of the Disability Law Center, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Disability Law Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Disability Law Center's management. Our responsibility is to express an opinion on Disability Law Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Disability Law Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Disability Law Center's compliance with those requirements.

In our opinion, Disability Law Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

### ***Internal Control Over Compliance***

The management of Disability Law Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Disability Law Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of The Board of Trustees, the management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wisan Smith Racker & Prescott, LLP*

Salt Lake City, Utah  
January 17, 2007

**DISABILITY LAW CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended September 30, 2006**

	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Direct Federal Contracts			
Protection and Advocacy for Individuals with Mental Illness	93.138	N/A	\$ 358,403
Protection and Advocacy for People with Developmental Disabilities	93.630	N/A	334,925
Help America Vote Act	93.618	N/A	36,321
Traumatic Brain Injury	93.234	N/A	54,457
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			784,106
<b><u>U.S. Department of Education</u></b>			
Direct Federal Contracts			
Client Assistance Program	84.161A	N/A	91,160
Protection and Advocacy of Individual Rights	84.240A	N/A	160,311
Protection and Advocacy Assistive Technology	84.343A	N/A	56,557
TOTAL U.S. DEPARTMENT OF EDUCATION			308,028
<b><u>Social Security Administration</u></b>			
Work Incentives Assistance to Disabled Beneficiaries	96.009	N/A	135,976
TOTAL SOCIAL SECURITY ADMINISTRATION			135,976
<b><u>Department of Housing and Urban Development</u></b>			
Fair Housing Initiatives Program	14.408	N/A	53,839
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			53,839
TOTAL FEDERAL EXPENDITURES			\$ 1,281,949

**Note 1 - Basis of Accounting**

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Grant expenditures are recognized as funds are spent or accrued. The information in this schedule is prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2 - Federal Awards**

The Organization receives most of its Federal awards directly from the Federal government.



**DISABILITY LAW CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended September 30, 2006**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance considered to be material to the financial statements were disclosed by the audit.
4. No reportable conditions relating to the audit of the major federal award programs are required to be reported.
5. The auditor's report on compliance with requirements applicable to major federal award programs expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with OMB Circular A-133.
7. The programs tested as major programs include:
  - U.S. Department of Health and Human Services
  - CFDA number 93.138
  - CFDA number 93.630
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Disability Law Center did qualify as a low-risk auditee.

**FINDINGS—FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None